Washington, DC – Congressman Earl Blumenauer (D-Ore) today introduced legislation – the End Big Oil Tax Subsidies Act – to close a number of corporate loopholes that allow the biggest oil companies to avoid paying billions of dollars in taxes. Download a summary of this legislation .

A member of the tax-writing Ways and Means Committee, Blumenauer's legislation would close loopholes that will cost the U.S. government in the range of $30 billion over the next five years. Senator Robert Menendez (D-NJ) has introduced similar legislation.

"It is unfair that ordinary Americans pay into a system that largely exempts the biggest, most polluting industries," **said Congressman Blumenauer**. "Billions of dollars in unnecessary carve-outs for huge oil companies have exacerbated the deficit and undermined our ability to invest in other priorities, like educating our children, creating jobs, and rebuilding our communities. While these tax breaks might have made sense decades ago for a fledgling oil industry, American taxpayers no longer need to subsidize this trillion-dollar enterprise."

In 2008, the top five oil companies made a combined profit of $100 billion. In 2009, ExxonMobil hit an all-time record $45.2 billion in profits, yet paid no U.S. federal income taxes. In fact, they got a $156 million tax refund.

The End Big Oil Tax Subsidies Act (EBOTS) would remove unnecessary subsidies for the biggest oil companies, including a number of the tax credits, deductions, special depreciation rules, exclusions, and exemptions for various activities associated with exploring, drilling and refining activities. These subsidies were put into place to provide incentives for oil exploration and to lower the price of oil, and they are failing on both accounts.

The price of oil has fluctuated from $35 to $82 to $145 a barrel in the last two years. Since oil is a global commodity, impacted more by world events than domestic subsidies, oil prices have continued to rise despite billions of dollars in tax breaks. The billions of dollars in American taxpayer subsidies amount to pennies saved at the pump, with the per barrel benefit flowing mostly to China, Japan and Europe.

Unlike the growing clean energy industries, oil companies have been drilling, exploring, and researching for decades and no longer need help from the American taxpayer.

A full summary of the provisions in the bill follows:

- End the section 45I credit for wells that are nearing the end of their useful lives and that are producing limited quantities of higher cost oil and gas.

- End the section 43 credit, which provides oil companies a 15% credit for the cost of extracting oil using costly technologies after the readily accessible oil has been exhausted. This credit allows companies to off-set the cost of chemicals and injectants to access oil and the cost of constructing pipelines and related facilities.

- End the section 263(c) provision allowing the expensing of “intangible drilling costs.” This means the oil company can deduct the full amount of those costs in the first year they occur, rather than—as other businesses would—amortizing them over time. These intangible costs include the cost of wages, planning costs, and the supplies relating to drilling wells.

- End the section 613 depletion for oil and gas wells, which allows oil and gas companies to deduct 15% of the income produced by the well each year. This deduction often ends up deducting more than the value of the investment in the well, according to a report by Friends of the Earth.

- End the section 193 deduction for tertiary injectants, or chemicals and other solvents injected into the ground to retrieve oil, during the taxable year. The deduction would remain for processes using anthropogenic carbon dioxide as an injectant.

- End the section 469 exception for passive loss limitations for oil and gas properties, which allows oil and gas companies to shelter active income. Typically, active income must be offset with active losses or deductions, if at all. But that’s not true if you own an oil and gas well -- there you can off-set your income with losses, even though you don’t materially participate in the business that lost income. It is a classic tax shelter that has been eliminated in much of the rest of the tax code.

- End the section 199 domestic manufacturing deduction for oil and gas production, so that oil and gas companies don’t get a unique benefit simply for generating income from domestic oil and gas activities. This deduction allows for the deduction of a percentage of the gross receipts of domestic production minus the costs associated with that production.

- Modify § 179C, Election to Expense Certain Refineries. This provision was added to the tax code in 2008 to allow the write-off of the costs associated with the construction of refineries to process tar sands or shale oil – among the dirtiest and most wasteful of energy to generate. The bill would bar oil companies that exploit shale and tar sands from taking advantage of the expensing provision.

- Repeal Last-In, First-Out (LIFO) accounting for the major integrated oil companies. LIFO is being phased out as the United States moves to an international accounting standard. While it persists, it allows the large oil companies to hugely understate their income.

- Match the section 167 amortization periods for oil and gas companies at 7 years. Certain companies may write off the costs associated with exploratory work in two years, while other companies must amortize those same costs over seven years; this will level the playing field by requiring seven years for all large oil companies.